

REDACTED - FOR PUBLIC INSPECTION

Exhibit E

**Audit of the FCC's High Cost
Support Program**

February 22, 2008

To: General Contacts at All Member Companies

Audits

Under the oversight of the Federal Communications Commission's Office of the Inspector General (FCC OIG), the Universal Service Administrative Company (USAC) is auditing carriers that receive federal Universal Service Funds (USF) from the FCC's High Cost Support Programs. Member companies selected for the audit will be notified by the audit firm performing the audit. The notification will include a listing of documents requested by the audit firm, as well as the anticipated dates of the review.

NECA Assistance

We've been assisting member companies in providing some of the requested data in support of the audit. NECA can provide:

- Interstate Common Line Support (ICLS) projection (Form 508), true-up (Form 509) and data to support projection and true-up data;
- Local Switching Support (LSS) projection and true-up data; and
- Line Count data (Form 507).

If you require additional assistance and/or information, please let us know and we will assist you to the best of our ability.

Typical Documents Requested

Attached for your information is a list of typical documents that may be requested when a company is selected for an audit. For the audit to be conducted in an efficient manner, the audit firm typically requests the documentation be submitted within two weeks of the date of the letter.

Record Retention

You should also be aware of the requirements to retain records for universal service support. The FCC has adopted rules requiring companies to retain all records for five (5) years from date of payment needed to demonstrate to auditors the support they receive was consistent with the Commission's rules.¹ This in effect requires retention of most underlying high cost data for seven (7) years due to the timing lag between data periods and payment date. These records should include the following data:

- data supporting line count filings;
- historical customer records;
- fixed asset property accounting records;
- general ledgers;

¹ *Comprehensive Review of the Universal Service Fund Management, Administration, and Oversight, Report and Order*, WC Docket No. 05-195, 22 FCC Rcd 16372 (2007), at ¶ 24.

- invoice copies for the purchase and maintenance of equipment;
- maintenance contracts for the upgrade of equipment; and
- any other relevant documentation.

In addition, USAC has included high cost records retention recommendations on its website at:
http://www.universalservice.org/_res/documents/hc/pdf/HC-Records-Retention-Recommendations.pdf.

The record retention requirements discussed above do not supersede current FCC rules and regulations. For example, § 32.2000(f) contains requirements for Continuing Property Records (CPRs) of plant to be maintained.

Proprietary Information

Some member companies are concerned that data provided to USAC auditors could be disclosed under the federal Freedom of Information Act (FOIA). Certain requested data could also be considered “customer proprietary network information” (CPNI) under section 222 of the 1996 Act, which companies have a duty to protect.

Carriers concerned about disclosure of confidential data should recognize that section 220(f) prohibits FCC staff from releasing data obtained during an audit without a Commission or a court order. Section 220(c) of the Act extends this prohibition to outside auditors as well. Taken together, these provisions appear to grant substantial protection to carriers disclosing data to FCC and USAC auditors.² Nevertheless, companies may wish to segregate all confidential data and clearly mark such information as proprietary. Companies may also wish to request when submitting such data that it be returned after inspection.

Examples of Audit Findings

For your information, below are examples of audit findings associated with the audits performed in 2007:

- Lack of Documentation
 - Inadequate record retention
 - Inadequate evidence of advertising
- Lack of Internal Controls
 - Inadequate policies and/or procedures
- Continuing Property Records (CPRs) not current
 - Supporting documentation for assets does not match (i.e., invoices, work orders)
- Filed data does not match source documentation

If you have any questions and/or require additional assistance, please contact your Region Member Service Team.

Sincerely,

cc: Authorized Consultants

² In a policy statement issued in 1998, the FCC explained it treats information obtained from carriers during audits as confidential. *Examination of Current Policy Concerning The Treatment Of Confidential Information Submitted To The Commission, Report and Order*, 13 FCC Rcd 24,816 (1998) at ¶ 54. Section 0.457(d)(iii) of the FCC’s rules specifically states “information submitted in connection with audits, investigations and examination of records” conducted under section 220 of the Act are “not routinely available for public inspection.” This does not guarantee audit data will be protected. However, parties making requests for disclosure under FOIA must make a “persuasive showing” of the need to inspect such data.

Typical Documents Requested

General

1. Trial balance as of 12/31/2004 and 12/31/2005
2. Audit reports/financial statements for 2004, 2005 and 2006
3. Report on Internal Controls over Financial Reporting ("ICFR"), if applicable, for 2004, 2005 and 2006
4. Copies of prior High Cost Program compliance audits conducted by USAC or other firms
5. Evidence of advertising during the audit period (July 1, 2006 to June 30, 2007)
6. Documentation supporting that all services required for eligibility are being provided (47 C.F.R. § 54.101)
7. Description of process for generating line counts, including systems and personnel involved
8. Description for monitoring compliance with High Cost Program requirements such as:
 - a. How the beneficiary ensures the required services are being provided to subscribers
 - b. How the beneficiary ensures that USF disbursements are only used for appropriate purposes
 - c. How the beneficiary ensures that required filings are accurate and filed in a timely manner
9. The beneficiary's Disaggregation Path filing
10. The beneficiary's Cost Allocation Manual, or description of the cost allocation process
11. Full Cost Study including Parts 64, 36 and 69 Separations/Allocations including supporting/reconciling schedules such as:
 - a. Continuing Property Records
 - b. COE & C&WF Investment Summary, by exchange if applicable, including adjustments
 - c. Depreciation Schedules and Accumulated Depreciation Schedules
 - d. Expense Summary including adjustments
 - e. Benefits and Rents Reconciliation
 - f. Federal Income Tax analysis

Time periods covered are 2004 and 2005 for High Cost Loop, 2004 for Interstate Common Line Support, and 2005 for Local Switching Support.

12. Documentation of the payroll and benefits clearing procedures
13. Description of any affiliated transactions including documentation of any joint & common costs
14. The beneficiary's certification to the state/USAC that all federal high cost support provided to the Beneficiary was used only for the provision, maintenance and upgrading of facilities for which support is intended for calendar year 2006 and 2007

High Cost Loop Support ("HCL") – data for the years ending 12/31/2004 and 12/31/2005

1. Line counts by exchange for the dates above including the following information:
 - a. Name
 - b. Billing address
 - c. Service address

- d. Subscription start date
 - e. Disconnect date (if applicable)
 - f. Telephone number
 - g. Account number
 - h. CLLI (wire center) code associated with the telephone number
 - i. Zone
 - j. Type of line (PBX, company line, special access, etc.)
 - k. Line status (active, inactive, disconnected, etc.)
2. General ledger detail for the expense accounts appearing on the USF 1010 (High Cost Loop form)
 3. Rollforward schedule of fixed assets by category detailing beginning balance, additions, disposals, and ending balance for the periods above for the property accounts appearing on the USF 1010 (High Cost Loop form)
 4. Rollforward schedule of Construction-in-Progress detailing beginning balance, additions, disposals, and ending balance for the periods above for the property accounts appearing on the USF 1010 (High Cost Loop form)
 5. General ledger detail of 2004 and 2005 property additions & beginning property balances at January 1, 2004 for the property accounts appearing on the USF 1010 (High Cost Loop form)
 6. Support for property taxes
 7. USF 1010 High Cost Loop Submission Form

Interstate Common Line Support ("ICLS") – data for the year ending 12/31/2004

1. Line counts by exchange for the dates above including the following information:
 - a. Name
 - b. Billing address
 - c. Service address
 - d. Subscription start date
 - e. Disconnect date (if applicable)
 - f. Telephone number
 - g. Account number
 - h. CLLI (wire center) code associated with the telephone number
 - i. Zone
 - j. Type of line (PBX, company line, special access, etc.)
 - k. Line status (active, inactive, disconnected, etc.)
2. Documentation supporting Form 508 filings (annual projection) filed by March 31, 2006, and Form 508
3. Documentation supporting Form 509 filings (actual) for calendar year 2004 filed in December 2005 and Form 509. The documentation should include detail of lines (single and multi) as well as Subscriber Line Charges collected by line type on a monthly basis in calendar year 2004 (EC 24 month view)
4. Form 499-A
5. Copy of the ICLS Certification filed with USAC and the FCC

Local Switching Support ("LSS") – data for the year ending 12/31/2005

1. Line Counts by Exchange for the dates above including the following information:
 - a. Name
 - b. Billing address
 - c. Service address

- d. Subscription start date
 - e. Disconnect date (if applicable)
 - f. Telephone number
 - g. Account number
 - h. CLLI (wire center) code associated with the telephone number
 - i. Zone
 - j. Type of line (PBX, company line, special access, etc.)
 - k. Line status (active, inactive, disconnected, etc.)
- 2. LSSc Projections filed in October 2005 and October 2006
 - 3. General ledger detail for the expense accounts appearing on the LSSc (Local Switching Support form)
 - 4. Rollforward schedule of fixed assets by category detailing beginning balance, additions, disposals, and ending balance for the periods above for the property accounts appearing on the LSSc (Local Switching Support form)
 - 5. Rollforward schedule of Construction-in-Progress detailing beginning balance, additions, disposals, and ending balance for the periods above for the property accounts appearing on the LSSc (Local Switching Support form)
 - 6. General ledger detail of 2004 and 2005 property additions and beginning property balances at January 1, 2004 for the property accounts appearing the LSSc (Local Switching Support form)
 - 7. Support for property taxes
 - 8. LSSc True-up Form filed by December 2006 for 2005 data
 - 9. Cash working capital calculation (including lead/lag study, if applicable)

Saftey Net Additive ("SNA")

- 1. Notification of SNA eligibility provided by the Beneficiary to USAC

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Exhibit F

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Request for Review of Decision of the)	
Universal Service Administrator by)	
Consolidated Communications of Fort Bend)	WC Docket No. 05-337
Company, Illinois Consolidated)	
Telephone Company, and Consolidated.)	
Communications of Texas Company)	

DECLARATION OF KAY CALLISON

1. My name is Kay Callison and I am Director of Accounting for Consolidated Communications Holdings, Inc. ("Consolidated"), located at 121 South 17th Street, Mattoon, Illinois. Consolidated is the parent company of Consolidated Communications of Fort Bend Company ("Fort Bend"), Illinois Consolidated Telephone Company ("ICTC") and Consolidated Communications of Texas Company ("TXU").
2. I am authorized to make this declaration on behalf of Consolidated, Fort Bend, ICTC and TXU.
3. I am providing this declaration in support of the above-referenced Request for Review of Decision of the Universal Service Administrator by Fort Bend, ICTC and TXU ("Request").
4. I have worked in the Consolidated Accounting Department for the last 17 years and have held my current position since March 2008.
5. I have reviewed and am familiar with the audit reports issued by USAC to Fort Bend, ICTC and TXU received on October 4, 2010.
6. The booked value of an asset recorded in our accounting systems is based upon the value of that asset at the time it was acquired by Consolidated.

7. The Fort Bend and TXU entities were acquired together by Consolidated. Since they were previously commonly owned and are managed jointly, both Fort Bend and TXU used the same systems and accounting procedures.

I affirm under penalty of perjury that the foregoing is true and correct.



Kay Callison, Director of Accounting
Consolidated Communications

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Exhibit G

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
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Request for Review of Decision of the)	
Universal Service Administrator by)	
Consolidated Communications of Fort Bend)	WC Docket No. 05-337
Company, Illinois Consolidated)	
Telephone Company, and Consolidated)	
Communications of Texas Company)	

DECLARATION OF MICHAEL SHULTZ

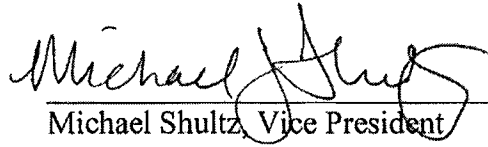
1. My name is Michael Shultz and I am the Vice President, Regulatory & Public Policy of Consolidated Communications Holdings, Inc. ("Consolidated"). Consolidated is the parent company of Consolidated Communications of Fort Bend Company ("Fort Bend"), Illinois Consolidated Telephone Company ("ICTC") and Consolidated Communications of Texas Company ("TXU"). I am based in Conroe, Texas.
2. I am authorized to make this declaration on behalf of Consolidated, Fort Bend, ICTC and TXU.
3. I am providing this declaration in support of the above-referenced Request for Review of Decision of the Universal Service Administrator by Fort Bend, ICTC and TXU ("Request").
4. As Vice President, among other activities, I am responsible for federal and state advocacy, industry affairs, interconnection, billing operations, network cost, revenue assurance and tariffs and compliance in the federal and state compliance in Illinois, Pennsylvania and Texas. As such, I have a detailed understanding of Fort Bend, ICTC and TXU's product offerings and strategic and competitive position in the industry as well as their receipt and

use of funds from USAC's High Cost Program, including High Cost Loop. Local Switching Support and Interstate Common Line Support.

5. I also actively participate on the ITTA, USTA's Legislative and Regulatory committees and serve on the Board of Directors for the National Exchange Carriers Association as well as a member of the Board of Directors of the Illinois, Pennsylvania and Texas Telecommunications Associations.
6. I have reviewed and am familiar with the audit reports issued by USAC to Fort Bend, ICTC and TXU, and received on October 4, 2010. I was present during portions of the site visit by auditors from the firm KPMG LLP ("Auditors") to Consolidated's headquarters.
7. For 2004 and 2005, ICTC used actual costs for its Category 1 expenses assigned to the Cable and Wire Facilities category. ICTC did not rely entirely upon the 2003 study since the costs incurred in 2004 and 2005 were significantly greater than those incurred in 2003. As provided for in the FCC's rules, ICTC chose to directly assign its costs between the various categories instead of using an unchanged ratio based upon the 2003 study.
8. As compared to ICTC's Category 1 expenditures, its expenditures in Category 2, 3, and 4 facilities were flat in 2004 and 2005.
9. During 2004 and 2005, the funding was exclusively used to perform line conditioning between the central offices and subscriber locations. As such, those expenses were assigned based on the actual location and purpose of the expenditures which was Category 1.
10. ICTC's allocation model was developed prior to the acquisition of ICTC by Consolidated in 2003. None of the individuals who developed that model are currently employed by

the company. During the site visit, the Auditors urged ICTC to create a study for allocating expenses between regulated and unregulated entities. They informed us that ICTC could face a potentially negative audit finding if it failed to create the requested study. ICTC created the requested study based on actual data from the time period under review. While the 2004 and 2005 cost allocation process provided the best representation of the way the business operated, it resulted in a study that did not match the study conducted in 2003. Instead, the requested study was merely intended to provide the Auditors with the requested information and should not be binding on ICTC.

I affirm under penalty of perjury that the foregoing is true and correct.



Michael Shultz, Vice President
Consolidated Communications

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Exhibit H

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
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Request for Review of Decision of the)	
Universal Service Administrator by)	
Consolidated Communications of Fort Bend)	WC Docket No. 05-337
Company, Illinois Consolidated)	
Telephone Company, and Consolidated)	
Communications of Texas Company)	

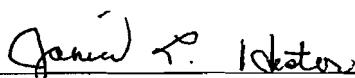
DECLARATION OF JANICE L. HESTER

1. My name is Janice L. Hester and I am Director of Tax for Consolidated Communications Holdings, Inc. ("Consolidated"), located at 121 South 17th Street, Mattoon, Illinois. Consolidated is the parent company of Consolidated Communications of Fort Bend Company ("Fort Bend"), Illinois Consolidated Telephone Company ("ICTC") and Consolidated Communications of Texas Company ("TXU").
2. I am authorized to make this declaration on behalf of Consolidated, Fort Bend, ICTC and TXU.
3. I am providing this declaration in support of the above-referenced Request for Review of Decision of the Universal Service Administrator by Fort Bend, ICTC and TXU ("Request").
4. As Director, among other activities, I am responsible for income, sales, property and payroll taxes. I have 22 years of tax experience in the telecommunications industry and began my career in the audit and tax groups at KPMG Peat Marwick LLP.
5. I have reviewed and am familiar with the audit reports issued by USAC to Fort Bend, ICTC and TXU received on October 4, 2010. I was present during the site visit by auditors from the firm KPMG LLP ("Auditors") to Consolidated's headquarters.

6. The calculation of the deferred taxes is reviewed quarterly by the Senior Manager of Tax and the Director of Tax for accuracy, reasonableness of judgment and conformity with regulations. In addition, our deferred taxes are reviewed quarterly by independent consultants as well as our independent auditors. Consolidated, Fort Bend, ICTC and TXU all use accounting methodology consistent with GAAP.
7. We have historically adjusted our deferred tax rate at a minimum on an annual basis. Any adjustment made to the deferred tax rate would, if GAAP accounting rules were applied, impact not only the balance sheet deferred taxes payable but also the income statement deferred tax expense. GAAP accounting for income tax rules require complex calculations, so creating and using a “simplified” calculation that differs from what was used in our audited financial statements is a cause for concern and I believe leaves greater room for errors.
8. The GAAP accounting for income tax rules require complex calculations. The “simplified” calculations used by the Auditors accounted for only one side of the tax impact that would have been booked if GAAP accounting rules had been applied. Instead, the audit finding only accounted for the income tax expense effect of the adjustment to operating expenses and accounted only for the deferred tax payable effect of the allocated plant assets.
9. During the site visit, the KMPG internal tax personnel who were not part of the actual audit team stated that companies do not generally make Part 64 tax adjustments. Based on my experience in the industry, I agree that the majority of companies do not calculate and flow through the tax impact of the Part 64 adjustments. This is mainly due to the complexity of the calculations if they were to be completed considering true GAAP

accounting rules such as double sided accounting, permanent items, subsequent reversals, rate differences, and other factors.

I affirm under penalty of perjury that the foregoing is true and correct.



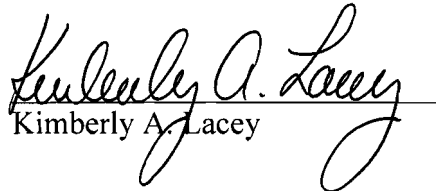
Janice L. Hester, Director of Tax
Consolidated Communications

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CERTIFICATE OF SERVICE

I, Kimberly A. Lacey, hereby certify that on this 2nd day of December, 2010, a copy of the foregoing Request for Review of Decision of the Universal Service Administrator by Consolidated Communications of Fort Bend, Illinois Consolidated Telephone Company, and Consolidated Communications of Texas Company, in WC Docket No. 05-337 was served via hand delivery to the following party.

David Capozzi, Acting General Counsel
Office of the General Counsel
Universal Service Administration Company
2000 L Street, N.W., Suite 200
Washington, DC 20036


Kimberly A. Lacey